

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7091**

**BILL NUMBER:** HB 1251

**DATE PREPARED:** Dec 28, 1998

**BILL AMENDED:**

**SUBJECT:** Elderly and disabled property tax credit.

**FISCAL ANALYST:** Bob Sigalow

**PHONE NUMBER:** 232-9859

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues			
State Expenditures			13,200,000
Net Increase (Decrease)			(13,200,000)

**Summary of Legislation:** This bill provides that a property tax credit is payable from the Property Tax Replacement Fund (PTRF) against the property taxes paid on an individual's homestead if the individual is at least 65 years of age or has been declared totally disabled for purposes of Social Security. The bill provides that the credit changes each year so that the individual's net property tax liability will never be greater than the individual's property tax liability in the first year the individual qualified for the credit if the individual files for the credit. The bill also appropriates money from the PTRF to pay for the property tax credits.

**Effective Date:** January 1, 2000.

**Explanation of State Expenditures:** The 1996 pay 1997 assessed value (AV) for residential real property statewide was \$20.5 billion. The five year average increase in AV in non-reassessment years is 2.82%. Using the 2.82% growth factor, the pay 2000 residential AV was projected at \$22.3 billion and the pay 2001 residential AV is estimated at \$22.9 billion. Based on projections for levies and AVs, the CY 2000 statewide average net tax rate is projected at \$8.90 per \$100 AV and the CY 2001 rate is estimated at \$9.14 per \$100 AV.

According to the Census Bureau, 24.44% of Indiana homeowners are age 65 and above. It is also estimated

that 2.34% of Indiana homeowners are disabled and under age 65. Adding the two estimates, it is further estimated that 26.78% of Indiana homeowners are age 65 or over or are 100% disabled according to Federal Social Security laws.

The 1999 pay 2000 residential AV (\$22.3 billion) multiplied by the percent of residents that are age 65 or over or disabled (26.78%) produces an estimate of \$6.1 billion AV of residential real property owned by those Indiana residents, age 65 or over. At the estimated CY 2000 net tax rate, the property tax bills for these properties are estimated at \$479 million. If all eligible taxpayers file for the credit during the first year available, the \$479 million would be the base year tax amount.

Using the projected AV, levy, and tax rate growth rate, the property tax liabilities for these same properties are estimated at \$505 million in CY 2001 and \$620 million in CY 2002. The credits are estimated to be \$26.5 million in CY 2001 and \$141 million in CY 2002. The State's cost is estimated at **\$13.2 million** in FY 2001, **\$83.7 million** in FY 2002, and **\$158.1 million** in FY 2003. The amount of the credit would grow annually. The rate of increase would be higher during a year in which reassessment takes effect than in a non-reassessment year. (The large increase in residential tax liabilities in CY 2002 is due to (1) the general real property reassessment scheduled to take effect in CY 2002, and (2) the scheduled reduction of homestead credits from 10% to 4%, also in CY 2002.)

This credit would be paid from the Property Tax Replacement Fund. This fund is supplemented by the General Fund annually to meet obligations. An increase of expenditures from the PTRF would ultimately impact the General Fund.

This impact assumes that all eligible recipients of this proposed credit will file for the credit as soon as it would be effective.

**Explanation of State Revenues:** A person who knowingly or intentionally files a false claim under this provision commits a class B misdemeanor. In addition to all other penalties, the person would be obligated to pay back the amount of falsely obtained credits for deposit into the PTRF.

If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund could increase. The maximum fine for a Class B misdemeanor is \$1,000. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior, county or municipal court (courts of record), 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

**Explanation of Local Expenditures:** Local governments would be responsible for printing and processing the claim forms for the credit. This would create an indeterminable cost increase for the County Auditor's offices.

A Class B misdemeanor is punishable by up to 180 days in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

**Explanation of Local Revenues:** There would be no impact on local tax revenues. Local units of government would continue to receive the same total tax revenues, regardless of the source.

If additional court actions occur and a guilty verdict is entered, local governments would receive revenue

from the following sources: (1) The county General Fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county General Fund and 25% would be deposited in the city or town General Fund. (2) A \$3 fee would be assessed, and if collected would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed, and if collected, would be deposited into the County User Fee Fund to supplement the compensation of jury members.

**State Agencies Affected:** State Board of Tax Commissioners.

**Local Agencies Affected:** County Auditors; Trial courts; Local law enforcement agencies. Trial courts, local law enforcement agencies.

**Information Sources:** Property Tax Analysis, State Board of Tax Commissioners; Local Government Database; Statistical Abstract of the United States, 1997, U.S. Dept. of Commerce, Bureau of the Census.